HAPUNA VENTURES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9

charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Hapuna Ventures Inc.

Opinion

We have audited the financial statements of Hapuna Ventures Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2019, and the statements of operations and comprehensive loss, changes in shareholder's deficiency and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Hapuna Ventures Inc. for the year ended September 30, 2018, were audited by another auditor who expressed an unqualified opinion on those statements on February 8, 2019.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $397,492 during the year ended September 30, 2019 and as of that date, the Company's current liabilities exceeded its total assets by $382,063. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

Charlton + Company

CHARTERED PROFESSIONAL ACCOUNTANTS
1735-555 Burrard Street
Vancouver, BC
V7X 1M9

February 20, 2020

HAPUNA VENTURES INC.

STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

	Note	2019	2018
Assets			
Current Assets			
Cash and cash equivalents		$ -	$ 13,431
Amounts receivable	5	9,144	10,151
Due from ACT360	10	40,670	33,172
		49,814	56,754
Customer lists and intangible assets	4,6	1	1
		$ 49,815	**$ 56,755**
Liabilitites			
Current Liabilities			
Bank indebtedness		$ 471	$ -
Accounts payable and accrued liabilities		287,922	15,172
Due to Kona Bay	10	143,484	76,150
		431,877	91,322
Promissory note payable	4,7	360,048	340,547
		791,925	431,869
Shareholders' Deficiency			
Share Capital	8	269,997	179,501
Share subscriptions received	8	-	60,000
Deficit		(1,012,107)	(614,615)
Total Deficiency		(742,110)	(375,114)
Total Liabilities and Shareholders' Deficiency		**$ 49,815**	**$ 56,755**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON FEBRUARY 20, 2020

"Charles Jenkins"	***"Vincent Wong"***
Director	Director

The Accompanying Notes are an Integral Part of the Financial Statements

HAPUNA VENTURES INC.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

	Note	2019	2018
Revenue	15	$ 54,160	$ 86,069
Expenses			
Accounting and legal	10	56,172	12,075
Advertising and promotion		44,124	36,201
Consulting	10, 12	240,000	44,223
Interest expense	7	19,854	15,547
Management fees	10	60,000	48,000
Project development costs	16	-	30,262
Regulator and filing fees		8,680	6,145
Selling office and general		13,352	60,698
Wages and benefits	10	9,470	24,998
		451,652	278,149
Loss before other items		(397,492)	(192,080)
Other Items			
Writedown of intangible assets	6	-	(324,999)
Restructuring expense	4, 10	-	(46,055)
Net and comprehensive loss for the year		$ (397,492)	$ (563,134)
Earnings (loss) per share		$ (0.10)	$ (0.24)
Weighed average number of common shares outstanding		4,136,659	2,352,142

The Accompanying Notes are an Integral Part of the Financial Statements

HAPUNA VENTURES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

	2019	2018
Operating Activities		
Net loss for the year	$ (397,492)	$ (563,134)
Items not involving cash		
Interest on promissory note payable	19,501	15,547
Writedown of intangible assets	-	324,999
Changes in non-cash working capital items:		
Amounts receivable	1,007	(10,151)
Accounts payable and accrued liabilities	272,750	15,172
Due to Kona Bay	67,334	48,710
Due from ACT360	(7,498)	(33,172)
Cash used in operating activities	(44,398)	(202,029)
Financing Activities		
Issuance of common stock	31,333	130,500
Share issue costs	(837)	-
Share subscriptions received	-	60,000
Due from Bexar	-	25,000
Due to Kona Bay	-	(99)
Cash provided by financing activities	30,496	215,401
Net change in cash and cash equivalents	(13,902)	13,372
Cash and cash equivalents, beginning balance	13,431	59
Cash and cash equivalents (bank indebtedness), ending balance	$ (471)	$ 13,431
Supplementary Cash Flow Information		
Transfer of intangible assets on closing of Arrangement	$ -	$ 325,000
Issuance of promissory note payable on closing of Arrangement	$ -	$ 325,000
Due to related party balance applied to private placement	$ -	$ 24,000

The Accompanying Notes are an Integral Part of the Financial Statements

HAPUNA VENTURES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

FOR THE YEARS ENDED SEPEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

	Note	Share Capital					
		Number of Shares	Amount	Share subscriptions	Deficit	Total Shareholders' Deficiency
Balance at September 30, 2017		**1**	**$ 1**	**$ 25,000**	**$ (51,481)**	**$ (26,480)**
Shares issued on closing of Arrangement	4, 8	4,761,199	-	-	-	-
Consolidation of shares on a 3 for 1 basis	4, 8	(3,174,132)	-	-	-	-
Private placement	8	1,795,000	179,500	(25,000)	-	154,500
Share subscriptions received	8	-	-	60,000	-	60,000
Loss for the year		-	-	-	(563,134)	(563,134)
Balance at September 30, 2018		3,382,068	$ 179,501	$ 60,000	$ (614,615)	$ (375,114)
Private placement	8	913,330	91,333	(60,000)	-	31,333
Share issuance costs	8	-	(837)	-	-	(837)
Loss for the year		-	-	-	(397,492)	(397,492)
Balance at September 30, 2019		**4,295,398**	**$ 269,997**	**$ -**	**$ (1,012,107)**	**$ (742,110)**

The Accompanying Notes are an Integral Part of the Financial Statements

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Hapuna Ventures Inc. (the "Company") was incorporated under the provisions of the Company Act of British Columbia on January 31, 2017, as a wholly-owned subsidiary of Kona Bay Technologies Inc. ("Kona Bay").

The Company is a technology company specializing in digital customer acquisition. Its customers are primarily higher education institutions that promote campus and online degree programs to consumers through digital media such as websites, mobile apps, social media networks and direct e-mail. The address of the Company's corporate office and its principal place of business is 200-375 Water Street Vancouver BC Canada V6B 0M9.

On February 28, 2017, the Company entered into an Arrangement Agreement (the "Agreement") with Kona Bay, ACT360 Media Ltd. ("ACT360") and Bexar Ventures Inc. ("Bexar") for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the "Arrangement" or the "POA") pursuant to Section 288 of the Business Corporations Act (British Columbia).

On April 24, 2017, the shareholders of Kona Bay unanimously approved the POA. On April 28, 2017, the Supreme Court of British Columbia granted the final order approving the POA.

On December 13, 2017, the POA closed and the online advertising assets were transferred to the Company by Kona Bay and ACT360 and 4,761,199 common shares of the Company were issued to Kona Bay. In conjunction with the closing of the POA, the Company consolidated its common shares on the basis of one post-consolidation common share for every three pre-consolidation common shares.

On December 14, 2017, Kona Bay exchanged the 4,761,199 common shares of the Company for the Class A shares outstanding as of December 13, 2017. The Company is a reporting issuer under applicable Canadian Securities regulations. However, it has not yet obtained a listing on a Canadian stock exchange.

These financial statements have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a deficit of $1,012,107 since inception. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating commitments as they come due and generating profitable operations in the future. These conditions indicate the existence of material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are set out in Note 3. The financial statements are presented in Canadian dollars unless otherwise stated.

c) Presentation and Functional Currency

These financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical accounting judgments, estimates and assumptions – The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgments in applying accounting policies:

Critical Judgments

Going concern of operations

Management has made the determination that the Company will continue as a going concern for the next year.

Intangible assets

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an intangible asset is capitalized, information becomes available suggesting that the recovery of the value of the asset is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

Estimates

Allocation of expenses

Kona Bay and ACT360 incur, either directly or indirectly, wages, benefits and other costs on behalf of the Company. Judgement is required in determining the amounts that are allocated to the Company.

Foreign currency translation – The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. The Company did not have any cash equivalents at September 30, 2019 and 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets - Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of operations and comprehensive loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations and comprehensive loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Customer Relationships – Online Advertising	**Online Advertising Leads Database**
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over three years	Amortized on a straight-line basis over three years

Share issuance costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that management has determined it is probable to be realized.

Revenue recognition - The Company sells marketing information to higher education institutions. Revenues are recorded when the customer accepts the marketing information and collection is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments - The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period. Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Earnings (Loss) per share - The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants. For the years presented, the existence of stock options affects the calculation of loss per share on a fully diluted basis.

Development costs – Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the year.

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, trade accounts receivable and accounts payable and accrued liabilities. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has classified its cash as FVTPL. A financial instrument is classified as FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments classified as FVTPL are measured at fair value and changes therein are recognized in income. The Company has classified its trade accounts receivable as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method. The Company has not classified any financial assets as held to maturity or as available for sale.

b) Financial liabilities

The Company has classified its accounts payable and accrued liabilities as other financial liabilities. Accounts payable and accrued liabilities are recognized at the amount required to be paid, less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Application of new and revised accounting standards effective October 1, 2018

The following new accounting standards and amendments which the Company adopted and are effective for the Company's annual financial statements commencing October 1, 2018:

IFRS 9, Financial instruments - In July 2014, the IASB issued the final version of IFRS9 to replace IAS 39. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company determined that the adoption of this standard did not have a significant impact on its financial statements.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial instruments are classified and measured at either:

i. amortized cost;
ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

Classification

The Company's financial assets consists of cash, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss and accounts receivable and due from related party which are measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related party, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Application of new and revised accounting standards effective October 1, 2018 (continued)

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Effective October 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 supersedes the existing standards and interpretations including IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized at a point in time or over time in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

This is achieved by applying the following five steps:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company currently sells marketing information to higher education institutions. These services typically result in a single deliverable product. The Company determined that the adoption of this standard did not have a significant impact on its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16") which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company went through the process and identified no contracts that might be relevant under the new standard. The Company has not early adopted the new standard.

4. CLOSING OF THE ARRANGEMENT

On January 31, 2017, Kona Bay incorporated two wholly-owned subsidiaries, including the Company and Bexar.

On February 28, 2017, the Company entered into an Arrangement Agreement (the “Agreement”) with Kona Bay, and ACT360 Media Ltd. (“ACT360”) for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the “Arrangement” or the “POA”) pursuant to Section 288 of the Business Corporations Act (British Columbia). On April 24, 2017, the shareholders of Kona Bay unanimously approved the POA. On April 28, 2017, the Supreme Court of British Columbia granted the final order approving the POA. On December 13, 2017, the POA closed. Pursuant to the Arrangement:

- all of the issued and unissued common shares of Kona Bay became Class A shares and a new class of common shares was created;
- 4,671,199 common shares of the Company were issued to Kona Bay;
- each outstanding Class A share of Kona Bay was exchanged for one new common share of Kona Bay, one common share of the Company and one common share of Bexar and the Class A shares were cancelled;
- the Company consolidated its common shares on the basis of one post-consolidation common share for every three pre-consolidation common shares;
- the online advertising assets were transferred to the Company in exchange for $55,000 (relating to restructuring costs) and a $325,000 promissory note payable to ACT360 bearing interest at 6% per annum and due on the third anniversary of the promissory note;
- each option to acquire one common share of Kona Bay was deemed to be exchanged for a new option to acquire one new common share at the existing exercise price;
- each warrant of Kona Bay was deemed to be amended to entitle the warrant holder to receive one new common share for each common share that was issuable upon exercise of the warrant at the original exercise price; and
- each debenture of Kona Bay was deemed to be amended to entitle the debenture holder to receive one new common share for each common share that was issuable upon conversion of the warrant at the original conversion price.

All expenses incurred in connection with the Agreement, the POA and related transactions are borne by the company incurring the expenses unless otherwise mutually agreed. Management of Kona Bay estimated that total expenses to be incurred by Kona Bay in respect of the Arrangement would be approximately $95,000 for each of the Company and Bexar, with the Company and Bexar reimbursing Kona Bay for all costs incurred. These costs have been expensed as “Restructuring costs” by the Company.

See Notes 6, 7, 8 and 10

5. AMOUNTS RECEIVABLE

Accounts receivable consist of the following:

	September 30, 2019	September 30, 2018
Trade accounts receivable	$ -	$ 8,476
Recoverable goods and services / harmonized sales tax	9,144	1,675
	$ 9,144	$ 10,151

6. INTANGIBLE ASSETS

	Customer Relationships – Online Advertising	Online Advertising Leads Database	Total
Cost			
September 30, 2017	$ -	$ -	$ -
Transfer on closing of Arrangement	108,000	217,000	325,000
September 30, 2018	108,000	217,000	325,000
Accumulated amortization and impairment			
September 30, 2017	-	-	-
Amortization expense	-	-	-
Impairment provision	108,000	216,999	324,999
September 30, 2018	108,000	216,999	324,999
Net book value			
September 30, 2018	$ -	$ 1	$ 1
September 30, 2019	$ -	$ 1	$ 1

The Company acquired relationships with online advertising customers and an online advertising leads database from ACT360 upon closing of the Arrangement on December 13, 2017 for a $325,000 promissory note payable to ACT360 bearing interest at 6% per annum and due on the third anniversary of the promissory note.

Customer Relationships

Customer relationships consist of relationships with various post-secondary education institutions, with online advertising services provided by the Company to recruit students to these institutions.

Online Advertising Leads Database

The Company's online advertising leads database consists of personal information collected from potential student leads during the online advertising process.

Revenue relating to these assets has decreased by approximately 89% over the last three years and the Company is economically dependent on three customers. Given that management is not in a position to be able to estimate the future cash flows attributable to the customer relationships and online advertising leads database with any degree of certainty, they were written down to a nominal amount of $1 at September 30, 2018. No changes during the year ended September 30, 2019. See Notes 4, 7 and 15.

7. PROMISSORY NOTE PAYABLE

On closing of the Arrangement, the Company executed a promissory note in favour of ACT360 in the principal amount of $325,000 with a maturity date of December 13, 2020. Interest is calculating and accruing daily at 6% per annum from the date of issue, payable on a semi-annual basis commencing on June 13, 2018. The promissory note may be negotiated, assigned, discounted or pledged by ACT360. The amount payable consists of the following:

	September 30, 2019	September 30, 2018
Principal	$ 325,000	$ 325,000
Accrued interest	35,048	15,547
Total	$ 360,048	$ 340,547

Accrued interest payable accumulated since June 13, 2018 was not paid. See Note 4.

At September 30, 2019, the fair value of the promissory note payable was approximately $358,000 (2018 – $331,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the promissory note as an asset. Present value was calculated using the following attributes – semi-annual interest payments of $9,750, repayment of $325,000 principal at maturity, 27 months to maturity and a discount rate of 6% discounted annually.

8. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares and preferred shares without par value. Common and/or preferred shares are entitled to receive dividends if and when they are declared by the Board of Directors.

Private Placement Financing

During the year period ended September 30, 2019, the Company completed the following:

- On November 2, 2018 and August 7, 2019, the Company closed two private placements consisting of 813,330 and 100,000 units, respectively, for total gross proceeds of $91,333. Each unit consisted of one common share of the company and one common share purchase warrant entitling the holder to purchase one additional share at 10 cents per share for a period of one year from the date of the issue. Share offering costs of $837 were incurred in connection with this private placement. Subscriptions received of $60,000 was reclassified to share capital.

During year ended September 30, 2018, the Company completed the following:

- On December 13, 2017, the Company issued 4,671,199 common shares to Kona Bay on closing of the Arrangement.

- On December 13, 2017, the Company consolidated its common shares on the basis of one post-consolidation common share for every three pre-consolidation common shares.

- On February 21, 2018, the Company completed a non-brokered private placement of 1,000,000 Units at a price of $0.10 per Unit and 795,000 common shares at a price of $0.10 per share for gross proceeds of $179,500. Each Unit is comprised of one post-consolidation common share and one post-consolidation common share purchase warrant, with each warrant entitling the holder to purchase one additional post-consolidation common share at $0.10 per share for a period of five years from the date of the issue.

8. SHARE CAPITAL

Share Subscriptions Received

During the year ended September 30, 2018, $60,000 in stock subscriptions was received pursuant to private placements. These subscriptions were for:

- 600,000 Units of the Company at a price of $0.10 per Unit for gross proceeds of $60,000. Each unit consists of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share of the Company at a price of $0.10 per share for a period of 12 months from the date of issue.

9. WARRANTS

Warrant transactions related to the private placement completed during the year are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2018	1,000,000	$ 0.10
Issued with private placements	913,330	$ 0.10
Outstanding, September 30, 2019	1,913,330	$ 0.10

The following table summarizes information about warrants outstanding at September 30, 2019:

Expiry Date	Exercise Price Per Share	Outstanding
February 21, 2023 (Note 8)	$0.10	1,000,000
November 2, 2019	$0.10	813,330
August 7, 2020	$0.10	100,000
		1,913,330

Subsequent to year end, 813,330 warrants expired unexercised.

10. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key personnel and the compensation costs for key personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The remuneration of the Company's directors and other key management was as follows during the periods ended September 30, 2019 and 2018:

		2019	2018
Consulting fees	(a)	$ 120,000	$ -
Management salary	(b)	4,783	12,719
Accounting fees	(c)	17,500	6,000
		$ 142,283	$ 18,719

(a) Consulting fees of $120,000 (2018 - $Nil) were paid or accrued to a director and CEO of the Company.

10. RELATED PARTY TRANSACTIONS (continued)

(b) Management salary of $4,783 (2018 - $12,719) was allocated by ACT360 with respect to the Company's VP of Development.

(c) Accounting fees of $17,500 (September 30, 2018 - $6,000) were paid or accrued to a company controlled by the Chief Financial Officer of the Company.

As at September 30, 2019, $126,000 (2018 - $Nil) were owing to key management personnel for fees and expenses and the amounts were included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

On December 15, 2017, the Company entered into a Management Administrative Services Agreement (the "MASA") with Kona Bay for the purpose of providing certain management and administrative services to the Company. Pursuant to the MASA:

- The Company will pay a monthly service fee that will be reviewed and mutually agreed upon prior to the start of each fiscal year on October 1st;
- Unless otherwise agreed in writing, the MASA will terminate on September 30, 2019;
- For the years ended September 30, 2019 and 2018, the monthly service fee would range from $4,000 to $8,000 commensurate with corporate activity.
- $95,000 would be paid as reimbursement for Arrangement spin-out expenses.

During the year ended September 30, 2019, the Company paid or accrued $60,000 (2018 - $48,000) to Kona Bay.

The balance due from ACT360 at September 30, 2019 and 2018 consists of revenue collected by ACT360 from the Company's clients on the Company's behalf, net of expenses incurred by ACT360 on the Company's behalf.

The balance due to Kona Bay consists of expenses incurred by Kona Bay on behalf of the Company. The balance due to Kona Bay at September 30, 2017 was the result of issuing the incorporation share to Kona Bay and restructuring costs incurred by Kona Bay on the Company's behalf. During the period ended September 30, 2017, the Company paid $24,000 to Kona Bay in respect of restructuring costs.

These balances are unsecured, non-interest bearing and have no specific terms of repayment.

11. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian and United States federal and provincial income tax rates:

	2019	2018
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	$ (107,323)	$ (152,046)
Non-deductible expenses and others	(5,506)	97,037
True-up adjustment	5,314	-
Change in unrecognized deferred income tax assets	(107,515)	(55,009)
Valuation allowance	107,515	55,009
Income tax recovery	$ -	$ -

	2019	2018
Deferred income tax assets:		
Non-capital and net operating losses	$ 168,877	$ 56,048
Intangible assets and others	104,584	109,898
	273,461	165,946
Unrecognized deferred income tax assets	(273,461)	(165,946)
Net deferred income tax assets	$ -	$ -

	2019	2018
Deductible temporary differences:		
Non-capital loss carry-forwards	$ 625,469	$ 207,585
Intangible assets and others	387,349	407,031
Deductible temporary differences	$ 1,012,818	$ 614,616

Based upon the level of historical taxable income and projections for future taxable income over the years in which the potential deferred tax assets are deductible, management has not recognized any deferred income tax assets.

Subject to certain restrictions, the Company has non-capital losses of $626,000 available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2037	$4,000
2038	204,000
2039	418,000
	$626,000

The application of non-capital losses against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

12. COMMITMENT

On December 15, 2017, the Company entered into a Consulting Agreement (the "CA") with a consultant for the purpose of serving as the Company's special projects advisor to assist the CEO with corporate development, M&A and finance as the Company executes its growth by acquisition program. Pursuant to the CA:

- The Company will pay a monthly retainer to be mutually agreed upon; and
- Either party may terminate the CA with 30 days written notice.

During the year ended September 30, 2019, the Company incurred $120,000 (2018 - $24,800) in consulting fees.

13. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares of $269,997. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders. As at September 30, 2019, the Company had a working capital deficiency of $382,063 (September 30, 2018: $34,568) and requires additional capital. Management expects to raise such additional capital as part of the process of obtaining a listing on a major Canadian stock exchange, or pursuant to a private placement of securities.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company holds balances in United States dollars which could give rise to exposure to foreign exchange risk. The Company did not have any balances in United States dollars as of September 30, 2019. United States Dollar denominated balance as of September 30, 2018 was $6,548 USD in trade accounts receivable. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the United States dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately $700.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company considers this risk to be minimal during 2019 and as of September 30, 2019.

The Company has gross credit exposure at September 30, 2018 relating to trade accounts receivable of $8,476. Trade accounts receivable at September 30, 2018, were due from one customer. The Company considers this credit risk to be minimal

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. They key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	Between 3 & 12 months	Between 1 & 3 years	Total
September 30, 2019				
Bank overdraft	$ 471	$ -	$ -	$ 471
Accounts payable and accrued liabilities	287,922	-	-	287,922
Due to Kona Bay	143,484	-	-	143,484
Promissory note payable	30,133	4,915	325,000	360,048
	$ 462,010	$ 4,915	$ 325,000	$791,925
September 30, 2018				
Accounts payable and accrued liabilities	$ 15,172	$ -	$ -	$ 15,172
Due to Kona Bay	-	76,150	-	76,150
Promissory note payable	-	15,547	325,000	340,547
	$ 15,172	$ 91,697	$ 325,000	$ 431,869

15. ECONOMIC DEPENDENCE

During the year ended September 30, 2019, approximately 100% (period ended September 30, 2018 – 97%) of the Company's revenue was generated from two (2018 - three) customers. The loss of a material amount of revenue from these customers could have a material adverse effect on operations.

16. PROJECT DEVELOPMENT COSTS

On October 2, 2017, the Company entered into a joint venture agreement (the "JVA") for the purpose of developing a student travel mobile app. Subsequent to entering into the JVA, the parties agreed that the intent of the project was to provide a framework for investigating the feasibility of proceeding with development of the app and not to be a joint arrangement. Accordingly, each party bore its own costs without any accounting to the other party and the Company recorded its costs incurred as project development costs.

17. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated its activities subsequent to September 30, 2019 and has determined that there are no material events to be reported.